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NEWS RELEASE

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CITY ATTORNEY REPORT TRACES BACKROOM PENSION DEALS MADE WITH UNION PRESIDENTS

Aguirre Urges City Council Not To Break IRS Pledge to Rescind Unlawful Presidential Pension Benefits

San Diego, CA—The U.S. Internal Revenue Service (IRS) has already come down hard on the City for illegally granting special pension benefits to former presidents of local City unions, and now an investigative report by the City Attorney's Office released today traces the backroom deals made between union bosses and City officials. The report concludes with the City Attorney strongly advising the City Council to live up to the agreement it signed with the IRS to rescind the illegal presidential benefits and make no further payments.

"Nonetheless, certain council members have in open session meetings expressed their intent to allocate funds from the City's coffers to pay the unlawful benefit to one of the union presidents," said City Attorney Michael Aguirre. "That would not be consistent with our pledge to the IRS," he added.

Interim Report No. 26 Ongoing Internal Revenue Code Issues Relating to Presidential Leave Benefits was issued by City Attorney's Office to provide San Diegans with the record on how this presidential benefit was formulated, implemented, expanded, and eventually found illegal.

The investigative report shows that over the course of more than 10 years, the creation of the "presidential benefit," allowed the leaders of the local City unions to participate in the San Diego City Employees' Retirement System (SDCERS) even though these individuals were on leave from their City jobs and employed by the municipal union.

The report follows the evolution of the "presidential benefit" and specifically confirms that:

1. As early as 1989, representatives of the San Diego Police Officers Association ("POA") who left City employment were permitted to remain active members of SDCERS. The evidence will show that this agreement was never approved by the San Diego City Council;
2. In 1996, the president of the San Diego Municipal Employees' Association ("MEA") requested the same unlawful benefit that the head of the POA received – continued participation in SDCERS despite not being an active employee of the City;

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3. The SDCERS Board of Trustees permitted the MEA president to unlawfully participate in the SDCERS pension plan beginning in 1997;
4. The SDCERS Administrator unilaterally – without the approval by the City Council – permitted the unions to make payments into the pension system on behalf of the union presidents;
5. In 2001, the president of the San Diego City Fire Fighters Local 145 union also sought to inflate his future pension from the City by calculating its value based on his union pay;
6. In May 2002, the City Council agreed to allow the incumbent union presidents to inflate their City pensions by basing them on union pay. Evidence shows this Council decision was part of a transaction in which the union presidents agreed to use their influence to allow the City to pay less into the pension fund than was actuarially required, in other words under fund the plan and set the stage for what has become a multi-billion dollar crisis;
7. In 2002 the City Council also agreed to pay a portion of the unions presidents' salary from the City's general fund, although union presidents work for and represent the interests of a private labor union with interests separate from those of the City; and
8. The presidential benefit was not disclosed to members of the municipal unions and was kept out of the municipal unions' contracts with the City. New union presidents were not offered the same sweetheart deal.

As discussed in the report, the IRS reviewed the operations of SDCERS and found the presidential benefit was not in compliance with federal regulations governing public pension plans. In fact, in December 2007, City and SDCERS officials agreed not to pay the union presidents these illegal benefits and to recover all prior payments.

To view the City Attorney's *Interim Report No. 26 Ongoing Internal Revenue Code Issues Relating to Presidential Leave Benefits*, visit www.sandiegocityattorney.org, click "City Attorney Interim Investigative Reports."

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